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Depicting A Performative Research Agenda

The 4th Stage Of Business Model Research

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Depicting A Performative Research Agenda: The 4th Stage Of Business Model Research

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Abstract

This article provides a research program for the field of business models. It focusses specifically on 4th stage research, which is concerned with the performative notions of business models to which six conceptual avenues for further research are depicted.

Introduction

The goal of this article is to articulate a research program for the field of business models (BM) specifically in relation to the 4th stage of business model research, which is argued to be the performative research phase in the field. In 2010, Lecocq et al. depicted a research program for the field of business models (BM), under the inspiration from Lakatos (1969, quoted in Lecocq et al., 2010), suggesting that science is organized in research programs. It was concluded that business models presented a progressive research program (and not a degenerative one). A research program typically

encompasses a set of core assumptions, for example in the form of protective hypotheses. One example of this would be the contemporary “customer centric” understanding of business models that focusses on the value propositions delivered to customer groups instead of e.g. the competitive advantage discourse of strategy. Another would be the current work on establishing ontologies of business model patterns (Gassmann et al., 2014; Taran et al., 2016).

Keywords: Business models, research agenda, performative research

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Approach

As our point of departure, we use the general results of a structured literature review recently conducted by Nielsen et al. (2018). This study depicts four current and co-existing stages of research in business models (see also Figure 1). It is important to note that these research stages do not supersede each other, but rather co-exist simultaneously. Also, none are more important than the others, and their co-existence confirms the research field as a developing one. The result of the structured literature review led to the identification of dominant themes of research.

Key Insights

The business model concept has been steadily growing in popularity amongst both academics and practitioners over the last decades. This success is mainly rooted in the strong emphasis on customer value creation (Nielsen and Roslender, 2015), being that it is the customers' perception of value that determines the level of success. In other words, the value of the products seen from the customer's perspective, and not the products' technical features by themselves, determine success. The concept of business models embraces this line of thinking by focusing on the value proposition constructed in the interface between the customer, the infrastructure management, and the financial aspects of the organisation (Osterwalder et al., 2005). Arguably a major source

of the business model field's intrinsic potential is that it operates as a platform where these multiple aspects of a companies' operations conceptually converge.

Four current stages of research

Let us take a brief look at the four stages before zooming in on stage four:

The 1st stage of BM research is concerned with definitions and concepts as e.g. discussed by Jensen (2014) and Fielit (2014) respectively. Current arguments pose researchers to be critical towards the BM concept and its defining elements, as depicted by Jensen (2014) in his narrative about whether one business model definition is enough? Future research might also engage in discussing what is not a business model or the implications of having an accepted definition in the field. Further critical angles could focus on the different functions that business models may have from a managerial perspective. They may be concerned with controlling functions as depicted by Montemari and Nielsen (2013) or about sense-making as outlined by Michea (2016).

In the 2nd stage of BM research, innovation of business models and their underlying value propositions are in focus. Current research has focused on the processes of business model innovation (Wirtz et al., 2017) and how

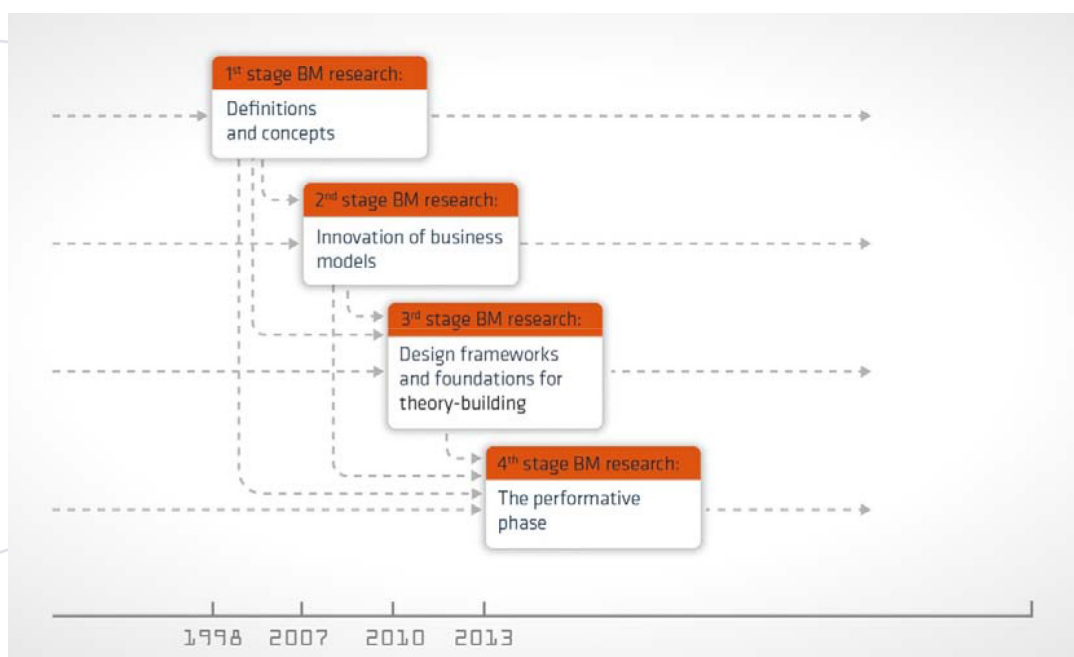


Figure 1: The four stages of Business Models research

business model innovation introduces new partnerships into existing business model (Lund and Nielsen, 2014) to achieve scalability (Nielsen and Lund, 2018). Future critical research could focus on understanding the barriers to business model innovation and business model implementation (Montemari et al., 2018) as well as identifying decision-support systems for these processes as exemplified by Nielsen et al. (2017).

The 3rd stage of business model research focusses on identifying frameworks and theories for describing and analysing BMs. Wirtz et al. (2016) argue that business model researchers should focus on consolidating and confirming existing BM descriptions and BM innovation frameworks empirically and in different contexts such as the public sector versus the private sector. This is parallel to the developments in other emerging fields like Intellectual Capital research (Dumay, 2013). This would constitute an important step in building empirical BM taxonomies and from these taxonomies building BM archetypes. In the end, this would enable BM theory to be constructed.

Finally, the 4th stage of BM research concerns the performative notions of BMs. Research here should work on establishing relationships between BM elements and financial values. Further, an important contribution would lie in establishing links between BM performance and a broader understanding of performance measure identification (Montemari et al., 2017) and other contextual factors such as cultural variables, further enhancing the connection between BMs, BM innovation and managerial issues.

Current trends forming the meaning of performance

In the past decade, several new forms of organisation and ways of creating value have appeared. In conjunction with this, new technologies have emerged. Together, these mechanisms of organisation, value creation and technology leverage combinatorial innovations (Varian, 2010) by creating new spaces for value creation, new ways of serving customers, and sometimes entire new products. This is currently discussed in terms of disruptive innovation. Consider Uber's disruption of the taxi industry, how Airbnb currently challenges the hotel industry, and the way in which Skype set the standards for Internet-based phone services

over a decade ago. Such disruptions (Christensen and Raynor, 2013) might radically alter the value creation in any given industry. It may be expected that these changes will alter the performance measurement information that is relevant for guiding managers' decision-making; not to mention the potential BM innovation trajectories available to them.

At present, performance of organisations can be accounted for in financial reporting and management-based KPI identification rests on a series of management models and frameworks such as the Balanced Scorecard or other performance scorecards (Nielsen and Roslender, 2015) that are at least two decades old. Financial reports do not factor in the type of business model a given company applies, therefore rendering comparisons of value creation difficult. The same goes for comparing KPIs across companies. Taran et al. (2016) suggest to make use of BM configurations to identify relevant KPIs because BMs constitute a natural analytical structure from which to analyze a company. Hence, in the 4th stage of BM research, the "performance" of companies and other organisations, including public and non-profit organisations can be expanded upon and understood from the perspective of business models.

Discussion and Conclusions

The 4th stage of BM research is concerned with the performative notions of BMs. In opposition to an ostensive understanding of BMs that focuses on creating meaning by pointing out examples, the performative understanding of BMs is concerned with creating a basis for action. Thus, research should focus on establishing relationships between BM elements and financial outcomes as well as other measures of performance of both financial and non-financial character. We envisage that the field of BMs still will be driven forth by its practical relevance, as is evident of the last two decades. However, moving forward a critique of the dominant authors is necessary, as is a stronger focus on theory-building. To achieve this, we argue that it is necessary to depict a research program that outlines a set of key hypotheses. These are set out for the 4th stage of BM research below:

1) Create empirically validated ontologies

The 4th stage of BM research should support and enhance the connection between BMs, BM innovation

and managerial issues. A starting point for this is to depict the relationships between industries and business models as is proposed by Gassmann *et al.* (2014). Researchers should seek quantifiable validation through large-scale empirical studies. This focus will also support future theory-building in the field.

2) Create decision-support structures

Moving on from such an empirically validated ontology, researchers should aim to create decision-support methodologies and systems for BM analyses and for BM innovation trajectories that may assist in avoiding industry-based imitation (see Nielsen *et al.*, 2018; Montemari *et al.*, 2018). Such empirically validated analytical structures might follow the lines of Taran *et al.*'s (2016) mapping ontology or Gassmann *et al.*'s (2014) pattern methodology.

3) Connect KPIs to BM configurations

Third, research should to a larger extent address the manageability of BMs. This can be achieved by creating clear structures for KPI identification for each different BM configuration. For example, the ontology provided by Taran *et al.* (2016) forms a platform for alignment between value creation and performance measurement through the mechanism of the business model according to 71 business model configurations. However, at the present, no empirical work has established the connections between business model configurations and performance measures, and this is an important step for future theorising about performance.

4) Benchmark value creation

Currently there are multiple types of business models even in the same industries. Therefore, benchmarking with a peer group needs to encompass an identification of the applied business model configuration in order to create a meaningful comparative exercise. At present the creation of benchmarking around corporate performance is difficult as no validated or reliable theory of corporate benchmarking exists. Despite a lack of theory, benchmarking, also sometimes denoted as evaluations, assessments or comparative data, is readily viewed as an important source of information for evaluation against the best competitors or peers (Kouzman *et al.*, 1999) thus providing motivational and managerial effects (Behn, 2012). When research has been able to establish an empirically validated ontology

and identified direct relationships between BM configurations and KPIs, the next step would be to apply this knowledge to devise a performative benchmarking methodology.

5) Report on the basis of the business model

Tweedie *et al.* (2017) argue, that despite a seemingly strong link between Integrated Reporting (IIRC, 2013) and business models, this relationship is an uneasy one. Organisations such as the IIRC and standard-setting bodies around the world are currently debating the merits of corporate reporting and disclosures in the light of accelerating industry disruption. Similarly, academia is debating the pros and cons of mandatory versus voluntary reporting. However, the connections between new (and old) forms of value creation and their respective performance measures have yet to be made. Guidelines for reporting on BMs might therefore be improved by including a set of minimal requirements to be addressed in the disclosures, a comparable or at least a unified layout, and a set of stable performance measures in order to track the developments of a company's BM over time. However, these are merely speculations that should be validated by future research.

Final remarks

This article proposes a research programme that is specifically aimed at the performative notions of business models. Together, the five hypotheses will be able to move the field into a new era in which what is otherwise known as an emerging field, for certain will be perceived as a mature one.

It is often argued that the popularity of business models is largely attributable to its practical relevance. However, the business model field has begun its emancipation from practice into a more developed and theorized one and at the same time also its emancipation from the more traditional disciplines such as strategy, innovation and marketing with which it has typically been intertwined. Building theory is expected to lead to the contours of a coherent set of constructs relating to business models, their subsystems, outcome measures and contextual influences. In the future, such constructs may be used as a basis for analytical, archival and field research.

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